

**CONFIDENTIAL**

May 16, 1961

MEMORANDUM TO THE FILES

CENTRAL INTELLIGENCE AGENCY AUDIT

In accordance with a telephone conversation between the Director, Civil Accounting and Auditing Division, and the Honorable Paul J. Kilday, Chairman, Special Subcommittee, Central Intelligence Agency, Committee on Armed Services, House of Representatives, Messrs. Pahl and Williams went to Mr. Kilday's office (1203 New House Office Building) to deliver the Comptroller General's letter (B-133200) to Mr. Kilday, dated May 16, 1961.

In response to Mr. Kilday's question, we advised him that we were informed on the subject matter of the Comptroller General's letter, and he requested us to wait while he read the letter.

Mr. Kilday stated that he would immediately bring the letter to the attention of the Chairman of the House Committee on Armed Services and he questioned: (1) the plan to discontinue the audit of CIA activities, and (2) whether there would be any public announcement of the planned discontinuance of the audit.

(1) In response to Mr. Kilday's question on the Comptroller General's plan to discontinue our CIA audits, I advised him as set forth in the immediately following two paragraphs.

In our audit we are denied access to the covert (sensitive security operations) of CIA, including administrative activities in support of sensitive operations. We are unable to evaluate these administrative activities, which are performed in the Support Component, because those administrative activities in support of sensitive operations were not separated from those in support of non-sensitive operations. These administrative activities, such as procurement, contracting, budgeting and supply, are areas where the General Accounting Office audits are usually productive of significant evaluations. We do have sufficient access to make reviews of the overt operations of the Intelligence Component, but because of their nature, we did not believe that such reviews on a continuing basis would be helpful to the Congress. We believe that the findings presented in the Comptroller General's letter on the review of certain intelligence activities are of interest to the Subcommittee and the Agency. The areas selected for review, however, were those which we believed to be most susceptible to review, and we believe that further reviews of Intelligence Component activities would not be as productive.

Document No. \_\_\_\_\_  
Review of this document by CIA has  
been completed.

17. If there is objection to disclosure  
of this information to CIA  
by the CIA, please advise the  
Director, Civil Accounting and Auditing  
Division, Room 10-2, 10-2, 10-2  
of CIA interest.

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(2) I advised Mr. Kilday that the Comptroller General's letters to Mr. Kilday and to the Director of Central Intelligence was the only announcement considered necessary for the planned discontinuance of our audit of CIA activities, and that CIA's security classification of the Comptroller General's letter only permitted us to make the letter available to the Subcommittee and the CIA. Mr. Kilday indicated that public knowledge of the planned discontinuance of our audits might not be appropriate because the present unfavorable publicity on CIA would give newspaper reporters the desire to ferret out the details behind the plan and distort the information.

*E. L. Pahl*

E. L. Pahl  
Supervisory Accountant

cc: Director, Civil Accounting and Auditing Division  
for his private classified file.